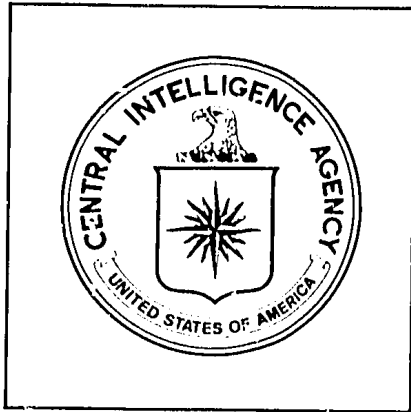


Approved For Release 25X1
2008/02/06 :
CIA-RDP86T00608R00050001

Approved For Release
2008/02/06 :
CIA-RDP86T00608R00050001

Secret



STAFF NOTES:

Western Europe Canada International Organizations

State Dept. review
completed

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No. 0232-75
July 22, 1975

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WESTERN EUROPE — CANADA — INTERNATIONAL ORGANIZATIONS

This publication is prepared for regional specialists in the Washington community by the Western Europe Division, Office of Current Intelligence, with occasional contributions from other offices within the Directorate of Intelligence. Comments and queries are welcome. They should be directed to the authors of the individual articles.

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Goncalves Continues to Have Problems in Forming
a Cabinet

Two Socialist Party officials' rejection of a request that they join the cabinet apparently reflects their party's continued commitment to a joint strategy with Revolutionary Council moderates of preventing Prime Minister Vasco Goncalves from forming a new government. Meanwhile violent mob attacks against Communist officials and party headquarters continued in northern and central Portugal today. The Council has called an emergency meeting of the Armed Forces General Assembly for tomorrow.

The two Socialist leaders, Constituent Assembly leader Antonio Lopes Cardoso and another unidentified party official, reportedly declined to accept cabinet posts during a meeting with President Costa Gomes on Monday. The Socialist refusal ignores an earlier appeal by the Armed Forces Movement calling on all parties to place the national interest above partisan considerations during the present crisis.

Goncalves' position was further eroded today by the announced resignation of three more non-communist members of the former cabinet. The ministers of interterritorial affairs, external trade, and social infrastructure and environment reportedly said they would refuse to take part in the new government. The first two are independents with Socialist sympathies, but the third is a personal friend of the prime minister.

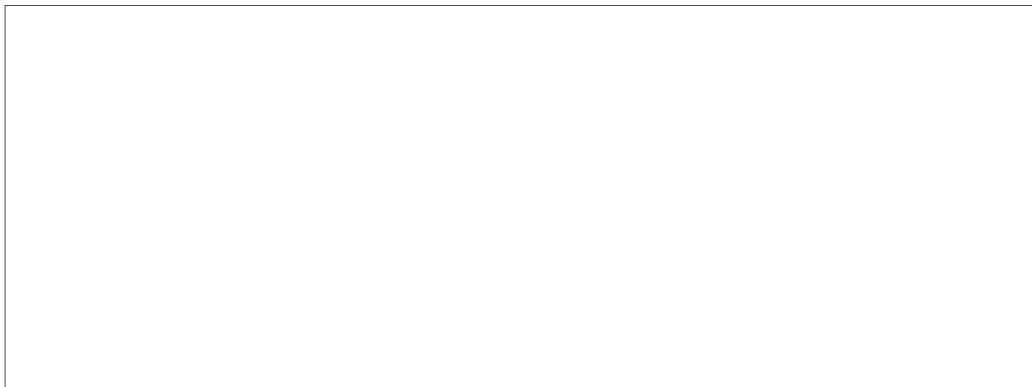
Goncalves apparently has also been deserted by his key leftist economic advisers in the former cabinet. The Revolutionary Council

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has set a late July deadline for the cabinet to solve Portugal's deepening economic crisis. Since no progress has been made, these ministers-- who are closely identified with Goncalve's economic failures--probably feel there is little point in accepting posts in the new cabinet.

Meanwhile, anti-communist mobs defied an appeal by the Revolutionary Council for calm by continuing their attacks on Communist Party headquarters and officials in northern and central Portugal today. Party offices in widely scattered areas were sacked and burned and government security forces were forced to intervene to rescue beleaguered Communist officials.

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In addition to its appeal for order, issued following a marathon meeting which lasted until early this morning, the Revolutionary Council announced that it was continuing to review the present political situation. The Council communique also said that reports had been presented on recent developments in Angola and the Azores. It is possible that the current turmoil in Lisbon is again stirring up the Azorean separatists, who are apprehensive over communist influence on the mainland.

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French Foreign Ministry Views on CSCE Summit
and Aftermath

The French are concerned that Moscow will mount a major drive for European disarmament after the conclusion of the CSCE in Helsinki next week.

The Political Director of the French foreign ministry told US embassy officials this week that he was submitting a "very tough" draft speech to President Giscard for his use at the CSCE summit in Helsinki. His draft makes three points:

- CSCE was only possible because of the equilibrium that exists in Europe.
- Implementation of the Helsinki agreement is contingent on maintenance of that equilibrium which in turn depends on maintaining an adequate defense.
- The Helsinki agreement will mean nothing if the provisions are not implemented; to this end, further bilateral agreements will be necessary and certain states must amend their laws and practices.

The official admitted that Giscard was in the habit of making drastic changes in drafts and predicted that Giscard's desire to please everybody would lead him to water down the proposed speech.

Another high-ranking foreign ministry official said that he expects the Soviets to focus on "disarmament in Europe" during Giscard's visit to Moscow next October. He

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said that Giscard will continue to take a hard line in opposition to the force reduction talks in Vienna. Paris will also oppose any move by Moscow to extend the scope of the current force reduction talks to northern and southern Europe. There is speculation that Moscow may propose other regional disarmament negotiations or perhaps even a general disarmament conference.

The French appear to be making a deliberate effort to let the US know that France remains committed to an eventual European defense cooperation--no matter what Giscard might say in public statements. The foreign ministry Political Director made specific reference to Giscard's widely publicized statement of May 28 in which the French president expressed sympathy for Soviet concerns about plans for a European defense organization and stated flatly that the problem of European defense cannot be "usefully" approached until Europe has achieved more political unity. Nevertheless, he said Giscard's position on this issue should not be considered immutable, and went on to express the hope that the US in its talks with the USSR would not downgrade the role of Europe in the defense of the West.

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New Political Organization Angers Franco Regime

Prime Minister Arias has suffered yet another setback in his drive to encourage the establishment of government-approved rudimentary political parties.

Earlier this month a group of moderates--most of whom had been associated with the regime at one time or another--formally constituted a political action group under the guise of a research corporation. The largely center-right group deliberately refused to apply for status as a political association because this would have required the approval of the Franco regime's National Movement.

The founders of the new organization, to be known as the Independent Studies Federation--FEDISA--stated that their purpose is to study political, social, and economic problems confronting Spain. While admitting that they subscribe to different political ideologies, all the members believe that public liberties and commitment to a democratic system are essential.

The political credentials of the founders are impressive and will make FEDISA an important pressure group. The most prominent member is Manuel Fraga Iribarne, currently ambassador to London, who earlier this year decided not to form a political association after the regime failed to provide sufficient guarantees of freedom of action. By the device of incorporating as a research corporation Fraga and other FEDISA founders have signalled their intention to have a political voice while remaining aloof from regime-sponsored schemes to promote political associations. The move by Fraga and his associates follows closely on the heels of the formation of a center-left organization which has made it clear that it does not intend to apply for association status.

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The Franco government reportedly is angered at the formation of FEDISA outside the framework of the political associations statute. The newly appointed minister of the National Movement called the device of incorporation "a fraud against the nation."

In the period since last January when the statute for political associations took effect, only five--largely rightist--political associations have been approved by the government. The clandestine opposition parties, including the Socialists and the Christian Democrats, are gradually being drawn into the Democratic Conference, which is emerging as a rival of the Communist-dominated Democratic Junta formed in Paris last summer.

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Turkish Politicians, Press React to Government's
Postponement of Action Against US Bases

Opposition criticism of the Demirel government's decision to postpone action against the US bases has been neither as severe nor as sustained as the government had feared.

The leading opposition figure, Bulent Ecevit, waited three days before issuing a statement that strongly attacked the US arms embargo but made only a brief reference to the "excessively soft-line" policy of Prime Minister Demirel. One of Ecevit's associates in the Republican Peoples Party told a US embassy official that the party was exercising restraint because of the realization that there is little sentiment in Turkey for loosening ties with the US. The US embassy believes that Republican leaders do not want to leave themselves open to the charge that they forced the government to retaliate against US installations.

Democratic Party leader Bozbeyli accused the government of following a "hesitant and indecisive" policy on the arms embargo issue. The leader of the newly formed and miniscule Socialist Party, Mehmet Ali Aybar, claimed that the US bases endangered Turkey and must be closed.

The Turkish press responded with scorn and dismay to the government's decision to temporize before initiating action against the bases. After this initial reaction, however, the base issue received less emphasis while the arms embargo itself continued to be given major play.

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